



NEWS RELEASE

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IMMEDIATE RELEASE

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MODERNIZATION PRIORITIES IN THE FY 1996-01 BUDGET

Secretary of Defense William Perry today announced several changes in Department of Defense modernization programs that will allow \$8 billion to be shifted to higher priority programs affecting military pay, readiness and quality of life. The modernization changes are part of a package of FY 1996-01 defense budget decisions consistent with the priority that President Clinton and Secretary Perry have placed on readiness and on people in the U.S. Armed Forces.

When planning began this summer for preparation of the FY 1996-01 defense budget, the Department of Defense faced a shortfall of approximately \$49 billion. This shortfall was caused by higher inflation assumptions and needed increases for military pay, readiness and quality of life. A favorable change in economic assumptions reduced the inflation wedge by at least \$12 billion, leaving a shortfall of \$37 billion. On December 1, President Clinton resolved most of this problem with his initiative to add \$25 billion to the FY 1996-01 defense budget for the priorities of increased military pay, readiness and quality of life. Today's decisions on modernization changes will resolve most of the remaining funding issues by providing an additional \$8 billion for those same priorities. Accounting for the final \$4 billion of the shortfall will take place as the FY 1996-01 budget is completed during the next several weeks.

The Department of Defense looked carefully at nine modernization programs as part of the budget and program review. Two of those programs, the Army's Advanced Field Artillery System (AFAS) and the Joint Primary Aircraft Training System (JPATS), will not be changed.

The Department will make the following changes in the other seven modernization programs:

- Cancel the Tri-Service Stand-off Attack Missile (TSSAM). This system has had significant development difficulties and the growth in its expected unit cost has made it too expensive to justify procurement. (FY 1996-01 savings: \$2.1 billion.)
- Restructure the Army's Comanche helicopter program as a technology program leading to two flyable prototypes but no production aircraft. This restructuring will ensure that the important technology base programs that are part of Comanche continue forward, while deferring procurement plans. (FY 1996-01 savings: \$2.1 billion.)

- Reduce procurement of DDG-51 AEGIS destroyers from 18 to 16 in the FY 1996-01 period. Production at this rate will still allow modernization of our surface combatant force and maintain the shipbuilding industrial base. (FY 1996-01 savings: \$1.5 billion.)
- Schedule the New Attack Submarine to produce one submarine in FY 1996,* 1998, 2000 and 2002. This will protect the submarine industrial base while we draw the size of the attack submarine force down to 45-55 level. (FY 1996-01 savings: \$1.5 billion.)
- Commit to production of the V-22 Osprey to fill both the Marine Corps and Special Operations Forces Medium Lift requirements. To ensure the V-22 is available for both missions, some restructuring of the procurement profile to produce special operations aircraft will be necessary. (FY 1996-01 savings: \$0.1 billion.)
- Delay development of the Advanced Amphibious Assault Vehicle (AAAV) by two years. This vehicle will replace the Marine Corps' existing fleet of AAV-7 after the turn of the century. (FY 1996-01 savings: \$0.2 billion.)
- Reduce the FY 1996 research and development funding of the Air Force F-22 fighter. This is a 10 percent reduction; it will result in a delay of a few months in initial operating capability. (FY 1996-01 savings: \$0.2 billion.)

These modernization reductions were less than would have been required before the President initiated the \$25 billion increase in the defense budget. This added funding allowed the Department to meet the President's directive to ensure that pay, readiness and quality of life were fully funded without major modernization reductions. The added funding also allows for at least one percent real growth in the 2000 and 2001 defense budgets, which will support substantial increases in defense procurement accounts. These increases are crucial to timely modernization of America's military forces.

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*NOTE: The submarine produced in FY 1996 will be a SEAWOLF; the NEW ATTACK SUBMARINE will begin in 1998.